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RUEHBO/AMEMBASSY BOGOTA 5904
RUEHBR/AMEMBASSY BRASILIA 9868
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RUEHCV/AMEMBASSY CARACAS 4136
RUEHPE/AMEMBASSY LIMA 4464
RUEHQT/AMEMBASSY QUITO 6753
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C O N F I D E N T I A L SECTION 01 OF 02 LA PAZ 002442

SIPDIS

USTR: BENNETT HARMAN; DOC: JULIE ANGLIN

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TAGS: [ECON](#) [ETRD](#) [PREL](#) [KTEX](#) [BL](#)

SUBJECT: BOLIVIA BURNS MORE TRADE BRIDGES

REF: A. LA PAZ 1264

[B](#). LA PAZ 1533

Classified By: Acting ECOPOL Chief Brian Quigley for reasons 1.4(b, d.)

[1](#). (C) SUMMARY. On November 11, Bolivian Trade Representative Pablo Solon confirmed that Bolivia will no longer participate in the negotiations between the Community of Andean Nations (CAN) and the European Union (EU.) The EU will progress with Colombia, Peru, and Ecuador dropping the uncooperative Bolivia from the negotiations. President Evo Morales accuses the EU of trying to break apart the CAN to move forward with bilateral negotiations. Meanwhile, the struggling Bolivian private sector speaks out against the isolationist policy and begs Morales to change his attitude. END SUMMARY.

[2](#). (C) Negotiations between the CAN and the EU began in 2007 and continued to stall through mid-2008 due to objections from Bolivia and Ecuador to taking additional Intellectual Property Rights (IPR) commitments as part of the negotiations. Bolivia also rejected Peru's request for IPR changes that would also allow them to implement their Free Trade Agreement (FTA) with the United States. Initially, contacts told the Embassy that a break in the CAN block would cause an end to the negotiations, and Peruvian reps claimed they were willing to cut diplomatic ties with Bolivia if they continued to cause problems (ref b.) Instead of negotiating, Morales continued to criticize the CAN countries, saying he would continue to represent the poor and indigenous in pushing for "fair trade" with the EU. Morales' main complaints relate to the IPR changes and the potential privatization of basic services, such as water and electricity, which he believes should be under state control.

[3](#). (U) Bolivia has access to the General System of Preferences (GSP) in the EU, which allows for some tariff-free entrance for goods. However, this agreement would be a great opportunity to gain low or zero tariff access to a growing EU market (ref a.) The EU has been a growing export market for Bolivia, jumping from \$232M in 2005 to \$489M in [2007](#). The agreement would give a boost to several exported products who excel in the European market, such as gold, brazil nuts, quinoa, wood and leather. Now, these industries will be competing against their trade-rivals in Peru, who will have obtained duty-free access. Textiles will see no relief, as restrictions and travel costs make them non-competitive with the three other Andean nations.

[4](#). (C) Exporters realize the danger, but have little leverage

with Morales. In the press, President of the Santa Cruz Export Chamber Ramiro Monje pleaded with the Government to change its position as it is "not only debilitating the relations with the EU but also with the CAN, which is a very important market for us." Bolivian Export Chamber President Eduardo Bracamonte and Bolivian Trade Institute (IBCE) manager Gary Rodriguez also spoke out publicly, asking Morales to continue to negotiate. Former Vice-Minister for International Economic Relations Ana Maria Solares lamented to EconOff that this is just "another irresponsible move by this government" that would prefer to isolate itself than negotiate with those that don't want to follow its socialist movements.

15. (C) EU Counselor Ivo Hoefkens told Emboff that the EU is not leaving Bolivia behind. When asked about potential bilateral negotiations, Hoefkens said that the EU is open to a bilateral agreement with Bolivia, but it is "very far away." As for criticisms from the Bolivian government that the EU is trying to break up the CAN, Hoefkens stated that the EU won't engage the accusation and will continue with their message of being open for negotiations with Bolivia.

16. (C) COMMENT. This is another major blow to an already-weakened private sector. As with the U.S. trade preferences, Morales will continue to lose markets under the argument of "dignity" while continuing to use Venezuela as a safety net. The regional negative of this break is that both the CAN countries and the EU now have little motivation to pressure Morales to change his ways. With Ecuador joining in at the last minute, it would appear that the CAN's new policy

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is to leave Bolivia in the ashes of the bridges burned. END
COMMENT.
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